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# GAIN Report

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## Russian Federation

### Wine

## California wine moves into retail chains

**2006**

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**Report Highlights:**

California wine importers are succeeding through hard work and with support of their exporters to find new markets for wine. Several recent breakthrough sales to retail chains will result in a growing presence for California wines on store shelves and in restaurants. Russia ranks tenth in total imports worldwide of wine, and is the top growing market among the top ten importers on a global review of trade data. A recent promotion netted substantial interest in California wines.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Moscow ATO [RS4]  
[RS]

Two California wine importers report they have just broken into major retail chains with wines priced in the most competitive segments. A third company expects a major sale to another large chain store in days. Some Russian retail chains represent dozens of retail outlets today. Moscow's network of cash and carry retailers have some of the highest volume retail sales in world and their stores are packed each day with Russia's new, middle class consumers. Importers predict this breakthrough will lead to greater consumer awareness of California wine and add interest in higher value wines offered at hotels and restaurants. Key ingredients to successful sales to Russia are the need to loyalize the importer by supporting marketing efforts and finding sales financing for the buyer.

Russia is grappling with a new spirits law that continues to wreak havoc on the plans of wine and spirits producers and importers. New excise stamp labels have been approved, but old stamps in use, valid until April 1, may have to be removed from current stock and replaced. Domestic producers and importers with inventory face not only the cost of re-labeling but paying additional excise duties for new stamps. Uncertainty in wine markets and confusion in the regulatory environment has continued, even though reported sales remain robust.

A review of global trade statistics available from the Global Trade Atlas, GTIS, for 2004 shows that Russia ranked among the world's top ten importers of wine, and is the first emerging market economy to appear on the list, topped only by the world's wealthiest, developed nations. Of the top ten global wine markets, Russia's is the fastest growing and likely reached almost \$650 million in total imports during 2005. Russia probably imported over \$350 million in wine from Europe in 2005, though final statistics are not yet available. Much of Russia's lower-priced wines come from Georgia and Moldova. Many quality wines arrive from France, Australia, Chile, and many others. Official U.S. trade statistics drastically underreport its wine sales to Russia as many imports originate from Western Europe dealers of American wine and are transshipped. One importer alone reports \$6 million in annual wine sales from the United States, while official U.S. statistics report just \$2 million in total sales from the United States to Russia in 2005. Americans report finding California wines in almost every major city in Russia today.

The Wine Institute of California and the Agricultural Trade Office (ATO) Russia organized a wine tasting in Moscow with the American Chamber of Commerce, held Feb. 1, 2006, at the residence of the U.S. Ambassador, Spaso House. More than 220 guests from America's large business community, hotels, restaurants, and press gathered to sample and appreciate more than 48 different California wines available on the Russian market. Ten Russian wine companies presented their imported California wines, demonstrating the variety and quality of U.S. wine available in the Russian market. U.S. wines until now have lacked the synergy and concentration for wines available for purchase to be exhibited in such variety. Guests were surprised to see so many wines available from California; the variety of wine has doubled over the last year. Most Russians are unaware generally that the United States even produces wine.

A series of promotion events, and Russian consumers' growing wealth and fascination for new products has combined into a renewed interest in California wine. The Wine Institute of California, <http://www.wineinstitute.org> and ATO <http://eng.usda.ru> will partner again June 15 in Moscow on a presentation of California wines when the Institute's 2006 European Tour of vintners and exporters visits Russia.